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**Restoring Prosperity: The State Role in Revitalizing America's
Older Industrial Cities—Focus on the Workforce**

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Introduction: Nature, Scale, and Significance of the Challenge

“Improving low-wage work is the next frontier of labor market policy.”

— Paul Osterman, MIT

“...*America’s Perfect Storm* documents how the powerful combination of employers’ rising skill requirements and expectations, inadequate levels of adult educational attainment and literacy, and a steady increase in the proportion of Americans who are low-income, minority, or immigrants is changing the landscape of economic opportunity and well-being” (Kazis & Seltzer, *Retooling for Growth*, 2008). In the U.S., the degree of inequality—the gap between the most and least proficient in literacy and numeracy skills—is among the highest in OECD developed countries (*America’s Perfect Storm*, 2007).

In America’s and Ohio’s core cities, population loss and high concentrations of poverty contribute to lower tax bases, higher crime rates, and greater demands for social services, undercutting cities’ overall fiscal health and amplifying the gaps between cities and suburbs (Vey, *Retooling for Growth*, 2008). “Perhaps even more important, such conditions undermine cities’ ability to cultivate a skilled workforce and frustrate their efforts to grow and attract the firms so essential to building and sustaining a strong economy” (Vey, 2008).

The state’s role in developing policy and strategic solutions is critical and Ohio is the center of attention, with the greatest losses in prosperity occurring in Midwest core cities, and Ohio having the second highest number of economically distressed cities (behind Pennsylvania) in the U.S. (*Restoring Prosperity*, 2007).

Ohio’s new administration understands that the state’s economy is fueled by regions. Many studies have shown that regions thwart their prosperity when they leave their core cities behind (Rusk). Northeastern and Midwestern regions are renowned for their fragmented metropolitan regions (Paytas, 2001).

Ohio also recognizes that centralizing functions at the state level combined with fragmented metropolitan areas is the “worst case scenario” for regional competitiveness (Paytas, 2001). Yet, even the most decentralized states must set clear guidelines for local policymakers to follow (“Working Together,” Workforce Strategy Center, 2006). Even with clear state-level vision and goals, getting localities to move in the desired direction requires state policies with clear incentives and support for local action (Workforce Strategy Center) where equity and inclusion are central.

Can Ohio afford to look the other way?

- Ohio cannot look to future graduates to meet the need for a qualified workforce singlehandedly. There are as many low-skill adults currently in Ohio’s workforce

as there will be students in the next ten graduating high school classes in the state combined.

- Population projections prepared by the Ohio Department of Development for individuals in the age 15-24 cohort will actually decline from the year 2010 to 2030 by approximately 15,000 individuals.
- “More than 2.1 million Ohio adults—nearly half of the state’s prime working-age population—hold a high school degree or less” (Community Research Partners, 2008).
- Nearly 1.5 million of Ohio’s 5.9 million people in the labor force meet the definition of “working poor” (CRP, 2008).
- Industries projected to increase total employment in Ohio are advanced industries such as biomedical/biotechnical and defense and security, and 64% of new jobs to 2014 will require some college or a bachelor’s degree (Dockery & Chmura, 2008).

On the other hand, if Ohio moves just 10% of those with no post-secondary education, ages 25-34, toward increasing one educational attainment category, then (Elvery, 2008):

- 60,000 people would be directly benefited; 15,600 would obtain a high school equivalent and 44,700 would obtain some college or an associate’s degree.
- Total wage and salary earnings would increase by \$373 million.
- The average change in earnings per person would increase by \$6,179.
- Required public assistance would decline by \$3 million.

The Chancellor of the Ohio Board of Regents, in his March 2008 Strategic Plan, called for the number of associate’s degrees granted to rise from 18,156 per year to 28,000 per year by 2017. Ohio can reach that target if it increases the number of associate degrees it grants by 1,000 every year from 2007 to 2017 (Elvery, 2008). And, if that is accomplished, then by 2016, ***Ohio will have those ~45,000 additional residents with an associate’s degree*** (Elvery, 2008).

Changes in Ohio’s Industry and Occupational Mix

Today, Ohio employs 2.3 million people in advanced industries (Dockery & Chmura, 2008)). Employment in Ohio’s advanced clusters grew by 3% from 2002 to 2008 and is projected to grow by 3.8% to 2017 (Dockery, 2008). Other cluster groups—traditional and semi-traditional—did not generate job growth from 2002 to 2008, and are projected to experience roughly zero growth to 2017. Changes in industry composition translate to changes in occupational mix. As the economy moves from its mechanized past to a knowledge-based present and future, the workforce must be prepared to align with the shift. Workforce development, in the form of strategic education and training, is the key to advancing the quality of workers as the quality of the work itself advances. For example, between 1979 and 2005, real hourly wages for people with advanced degrees rose 28%, wages for college graduates rose 22%, wages for high school graduates remained stagnant, and wages for high school dropouts fell by 16% (Mishel, Bernstein, and Allegretto, 2007).

According to the “2014 Ohio Job Outlook” published by Ohio’s Department of Jobs and Family Services (ODJFS), employment is expected to grow 7.3 percent from 2004 to 2014. Some high paying occupation groups are expected to see large gains in employment. For example, employment in Healthcare Practitioners and Technical Occupations is expected to increase by almost 56,000. However, Production Occupation employment is expected to fall 5.7 percent, which would mean a loss of almost 34,000 jobs.

By 2014 in Ohio, four out of five of the twenty occupations projected to grow most rapidly will require postsecondary education (Chmura Economics & Analytics, 2008). On the other hand, the list of labor surplus occupations shows that 14 of the bottom 20 occupations require only on the job training or work experience (Chmura Economics & Analytics, 2008).

Labor Force Participation

Adding to the urgency of the challenge are the issues surrounding labor force participation. Employment rates of prime working-age men have fallen substantially since the 1980s (Bartik and Houseman, 2008). The employment rate for high school dropouts has dropped by 13 percentage points since 1979 and by 5 percentage points for those with a high school degree. Among prime-age black men the employment rate dropped by 21 percentage points for high school drop outs, and by 10 percentage points for those with a high school degree. At the same time, the employment rate for college-educated men has changed little (Bartik and Houseman, 2008). A study performed by Raphael (2008) reveals that by 2000, only one-third of prime-age black male high school dropouts were employed compared to nearly two-thirds in 1980. During the same time, the percentage of black males incarcerated climbed from 8 to 27 percent (Raphael, 2008). According to estimates, a black male born in 2001 has a 33 percent chance of being in prison at some point in his life (Bonczar, 2003).

The largest increase in institutionalization is for black males with less than a high school education (Raphael, 2008). With 600,000 ex-offenders released each year, Raphael argues that the number of unskilled males returning to their communities has an impact on employment, earnings, and neighborhoods.

Ohio’s overall unemployment rate is a cause for concern. Ohio’s unemployment rate has often been lower than the national rate; in recent years it has been higher. Rates are still substantially higher than they were at their low point in 2000 (LMI). Ohio faces challenges in storing and disseminating information about the unemployed and, for example, cannot readily provide information on the occupational grouping for unemployed workers. Ohioans with lower educational attainment are over-represented in the unemployment cohort. For example, while 7.4% of Ohio’s labor force is comprised of those with less than a high school education, this group makes up 19% of the unemployed population.

As was the case in the discussion of unemployment trends for Ohio, Ohio also faces challenges in sorting and disseminating information about the dislocated worker population. While no statewide estimate is provided, a sample of dislocated automotive and assembly plant workers in Montgomery County Ohio was provided by ODJFS. Analysis of age, race, sex, and educational attainment reveals that African American workers are over-represented in the dislocated workers group (23.4% v. 20.7% in the population), 60% are under the age of 45, and 60% are male. Nearly all of these dislocated workers have a high school education or more, with 36.3% having some college, and 4.2% having a bachelor's degree or more. Information such as this may assist workforce and economic development practitioners, one for targeting the response and the other for marketing community assets.

Underemployment is another facet of the problem related to workforce participation. Underemployed individuals are people working in positions that are below their level of qualification. When the supply of high skill workers is more than demand in a particular region, workers are often required to take positions that require a lower skill set (Chmura Economics & Analytics). The underemployed challenge, especially in Ohio's major urban counties, is transitioning overqualified incumbent workers to industries and occupations that face current and future shortages.

Labor Force Challenges in Ohio's Core Communities

Unique labor force challenges are evident across all county types in Ohio. A quantitative analysis of Ohio's 32 "core" cities was conducted. The Brookings Institution defines core cities as cities over 15,000 in population in 1950 having at least 20% of their county's population. The resulting 32 cities were organized into four typologies—major urban/metropolitan, first ring suburban, micropolitan, and rural/rural like (hereinafter referred to as rural). The data are analyzed in regard to industry and workforce composition and change, unemployment trends, underemployment, and net migration (Dockery, 2008).

The common pattern with industry and workforce composition is a decline in the proportion of goods producing workers from 2001 to 2006, as manufacturing employment declined. While there is an overall pattern of decline, the steepest declines in the proportion of goods producing industry employment occurred in first ring suburban communities. Patterns for service sector employment across different city types (metro, first ring, micro, and rural) are similar, with each group increasing its proportion of employment in service industries from 2001 to 2006. Major urban cities have the highest proportion of employment in service industries, which is driven by downtown areas, which also face significant challenges as traditional downtown commercial industry such as financial services are now decentralizing (EDQ).

Unemployment trends also reveal the unique challenges facing different localities. For example, micropolitan counties (such as Springfield in Clark County and Lima in Allen County) have the highest rates of unemployment and are experiencing the largest increases in their unemployment rates. Elsewhere, the unemployment rate in urban

counties is nearly identical to that of suburban counties. At the city level, analysis of major urban cities reveals great differences in the size of population, labor force, and unemployment rates. For example, the size of Columbus' labor force is more than two times greater than the labor force in Cincinnati or Cleveland. Additionally, the City of Dayton, while having the fourth largest metropolitan area in Ohio, has a much smaller workforce and population than such cities as Toledo and Akron.

Detailed analysis of the underemployed was also conducted in the state's major urban, micropolitan, first ring suburban, and rural counties (Dockery & Chmura). Interesting patterns emerge. For example, major urban counties have a surplus of basic skilled workers and a surplus of higher skilled workers, thus increasing the likelihood of underemployment or out-commuting of skilled workers. Unlike major counties, micropolitan counties have a shortage of high skilled workers and those with basic skills. Most suburban counties have a shortage of high skilled and basic skilled workers, but a surplus of medium skilled workers, which implies some medium skilled workers are underemployed, while others are experiencing "upskilling" to meet the demand for high skilled workers. Rural counties generally have a shortage of high skilled workers. In regard to net migration, analysis of the data from the IRS (Chmura Economics & Analytics) revealed that major urban counties have negative net migration patterns, rural and micro counties have nearly a small negative net migration, which leaves only suburban counties to have substantial positive net migration.

State Policy Solution Overview

Clearly, Ohio is facing multi-faceted workforce challenges that not only have implications for individuals and their families, but also for the overall health and vitality of the state's present and future regional economies. In order to compete in the new knowledge economy, the state must form policies that support the advancement of its workers to align with the advancement of industry and occupations. Failure to do so will have dire consequences for individuals and their families, as even full-time workers will continue to struggle to make ends meet. Strategic workforce development policies for Ohio are not a mere practice of altruism; rather, they are a necessity for survival and viability in the twenty-first century.

Policy change in Ohio is on a fast track. Ohio's Governor, Ted Strickland, has launched a major workforce development system overhaul.

- HB 95: mandated articulation and transfer of credits from community or technical colleges to any other post-secondary institution.
- HB 66: expanded HB95 to include articulation and transfer from any sub-baccalaureate institution, including career and technical education, to any post-secondary institution.
- HB 119: Mandated the transition of ODE Assets (ABLE and Career-Technical Education) to the Ohio board of Regents to effectively create a GED to PH.D. Education system.
- Executive Order 2008-05S: mandated systemic alignment and reforms to bolster workforce development through the Ohio Skills Bank.

In early 2007, the Ohio General Assembly passed House Bill (HB) 119, which mandated the transition of the adult basic education and career and technical education systems from the state Department of Education to the Ohio Board of Regents by July 2009. The imperative behind this shift is to ensure that Ohio's postsecondary education system produces graduates from short-term certification earners to holders of two and four year degrees with the knowledge and skills relevant to Ohio's market demands.

The Chancellor of postsecondary education now reports directly to the governor and is a cabinet level position. Beginning in July, 2009, HB 119 will eliminate the nine-member advisory board connected to the Board of Regents, and the organization will be renamed. This reflects the importance now given to postsecondary education to the state's overall economic workforce development goals and growing level of accountability state agency heads are facing.

Strengths of Ohio's Workforce Development System

- The Lt. Governor's primary role is to lead the state's Department of Development. This ensures access to the Governor and facilitates integrative strategies with other state agencies.
- The Ohio Department of Development defined 12 economic regions to systematically structure program service delivery.
- The State's Chief Workforce Development Officer will enable strong connections between workforce development and workforce education. This Officer is the former Director of Ohio's Community College Association and an astute leader.
- The Department of Job and Family Services is the lead agency for the Turn Around Ohio plan and this ensures that the Governor is supportive of the reforms being initiated since this plan was his political platform.
- The state has applied for several federal waivers to make Ohio's workforce system more flexible.
- ODJFS is instituting the Ohio Skills Banks to unite the workforce system with education partners, economic developers, business, and other Community Based Organizations (CBO's) to target sectors of importance within a regional growth framework.
- The state has moved all workforce development education and training into one agency, and one agency will now coordinate the full spectrum of workforce and postsecondary education from GED to PH.D.
- The Chancellor of postsecondary education now reports directly to the Governor and is cabinet level.
- The transition of the under-utilized adult basic education and career and technical colleges into the Ohio Board of Regents will have advantages at the regional and local level to offer employers a less confusing training system.

State Policy Solution

Given the recent strides in policy action, this paper will not address policies that are undergoing scrutiny and pilot demonstrations such as stackable certificates, Ohio's statewide course/program equivalency process for Career-Technical Credit Transfer (CT2), other postsecondary transitions via the University System of Ohio, the Ohio Skills Bank in general, and dual enrollment/seniors to sophomore initiatives. Rather, this white

paper will address other workforce equity and inclusion topics significant to core city revitalization.

Workforce Development Data Intelligence Systems

- Workforce Development Data Intelligence Systems are essential to understanding the baseline, to guiding individuals to good career choices, and to measuring outcomes
- Education and training supply chain depend upon local demand signals, forecasts, inventory, delivery, and logical partners for inputs and deployment

Relevant Public Workforce Development Systems

- A high level of integration of both geographic and programmatic authority in the public workforce development system
- A well developed employment services delivery system that integrates work supports and career advancement services for adults, youth, and the hard to employ

“Netted” Intermediaries

- Umbrella organization that formulates policies and builds a regional system
- Structured partnerships and collaborations so that workforce intermediaries are working in a networked fashion
- Focused resources, such as tools, mentoring, and technical assistance, to build the capacity of workforce intermediaries so they can satisfy the needs of employers and workers

Decisive Supply and Demand Engagement

- A high density of collaborations and partnerships among stakeholders throughout the region, focusing especially on (1) engagement of WIBs and core county One Stops in workforce transformation strategies, and (2) core city connections to the Ohio Skills Bank Initiative
- A high level of core city stakeholders participating in the governance of the system to promote the attainment of public interest goals of transparency, accountability, and efficiency

The Challenge and Why It Matters: Outmoded Public Workforce Development Systems’ Geographic Authority and Service Delivery

GEOGRAPHIC AUTHORITY

Ohio has 20 designated local workforce investment areas. One area, Workforce Investment Area 7, consists of 43 counties or nearly half the counties in Ohio. On the other end of the spectrum, several Workforce Investment Areas contain only one county, and these are not necessarily the largest metro counties (e.g., Lake, Lorain, and Trumbull counties). Clearly, these areas are not drawn according to labor sheds or commuting patterns. (Labor sheds are areas where workers live who are employed in a defined area (Census Bureau Labor Employment Dynamics)). Therefore, one of the first decisions of

Ohio's new administration, led by Governor Ted Strickland, was to eliminate the proliferation of the various regional maps used by different agencies for different purposes. The Ohio Department of Development introduced the "official" map, for the first time in current history, with a defined set of 12 economic regions that would guide all state agency actions. This structural decision solidified the regional economy as the unit of measure for workforce and economic development. While each of these regions represents a reasonable number of contiguous counties (as opposed to those regions designated by WIA), the ideal going forward will be to confirm these regions' interdependencies using commuting patterns, labor shed maps, common patterns of student educational institution choice, and other variables so as to facilitate strategies that interlock regional assets, such as the Ohio Skills Bank.

The organization of the 12 economic development regions is just the first step of a much broader plan to centralize several key areas of state government. The Turn Around Ohio plan, launched by Ohio's new gubernatorial leadership, takes action on reorganizing several parts of Ohio's fragmented workforce development system to accelerate progress as noted in the introduction to this paper.

SERVICE DELIVERY

Workforce Development Data Intelligence Systems

Workforce development data intelligence systems are essential to: understanding characteristics of the populations to be served, guiding individuals to good career choices, and measuring outcomes. A group of experts at a May 2008 workforce development round table cited the following weaknesses of Ohio's workforce development data systems:

- Inconsistent use of data that is collected (e.g., piloted use of Unemployment Insurance wage records from the employment security office) has not reached system-wide use nor system integration. Ohio's conservative interpretation of sharing data (like UI wage records) is a barrier to progress.
- Legacy platforms make it difficult for Ohio to ramp up programs. A legacy platform is an operating system no longer in widespread use, or that has been supplanted by an updated version of earlier technology.
- Ohio's data is not yet active on the Longitudinal Employer-Household Dynamics (LEHD) website. LEHD data provide helpful micro-level detail on Ohio's local economies.
- Antiquated ODJFS mainframe systems make it costly to track characteristics of the unemployed (such as educational attainment and skill sets) other than variables in mandated reports. Lack of good data makes it difficult to understand program impacts and to market and connect to the assets of the unemployed population.
- The TANF eligibility determination system is an outmoded/archaic system that consumes case worker time during counseling appointments and is cumbersome to applicants. Case in point, 80 percent of the 915,000 Ohioans eligible for TANF assistance do not access the benefits (Policy Matters Ohio, 2008).

Temporary Assistance for Needy Families (TANF)

At the same time that pressures of the knowledge economy require a more skilled workforce, the TANF Prevention, Retention, Contingency (PRC) dollars being allocated to training and education in Ohio are miniscule. In fiscal year 2006, Ohio reported spending 5.1 percent of combined TANF/Maintenance of Effort dollars on work-related activities which includes work subsidies, education and training, and other work activities/expenses. Among those line items, the smallest allocation is for education and training. In FY 2006, only 0.5 percent of \$1.193 billion, the total TANF funds used by Ohio, went to education and training.

On the other hand, Ohio compares favorably to other states on its percentage of TANF families engaged in vocational education, with Ohio's percentage going slightly over the cap maximum of 15% (CLASP, 2006). There is very little correlation between the share of TANF recipients engaged in education and training activities and the share of TANF funds spent on education and training because:

- TANF recipients can participate in educational activities funded under other programs such as adult education, Pell grants, and WIA.
- TANF funds can support education and training activities for low-income parents who are not receiving cash assistance such as Ohio's TANF Educational Awards Program (CLASP, 2008).

No matter how Ohio is engaging TANF recipients in education and training activities, the fact remains that one in five Ohio jobs is in an occupation with an average wage below the poverty level and one in eight prime working age Ohioans do not have a high school diploma or equivalent (CRP). While specific data are not available for Ohio, national level data reveal that welfare leavers remain poor and few are able to significantly increase their wages and earnings over time (CLASP, Ganzglass, 2006).

Specific data are not available for Ohio because state agencies do not track the extent to which education and training programs are benefiting TANF recipients. And outmoded TANF systems further exacerbate outcomes because old systems detract from the time welfare agency professionals have for career counseling, and make it impossible to share responsibility for tracking outcomes with the TANF recipient.

Compounding the impact of old data system is, the Deficit Reduction Act (DRA) of 2005, which requires states to create complex systems to monitor and document every hour of TANF recipients' work participation, making it harder for states to tailor work activities and combine services to meet participants' needs (CLASP 2008).

Furthermore, national performance pressures may result in even lower participation in education and training for TANF recipients. The final rules implementing changes in the TANF program made by the DRA will place greater pressures on states to meet caseload reduction requirements, which will result in states tightening allowable activities. In the past, most states met the caseload reduction requirement with ease using a caseload baseline of 1996. The DRA reset the baseline to 2005.

Workforce Investment Act (WIA)

The central Federal Employment and Training program is established through the Workforce Investment Act (WIA) of 1998. WIA expanded eligibility for services such as job search assistance, which has universal eligibility, and created One Stop career centers, yet funding was not increased from WIA's predecessor to address the expanded WIA mission and in fact has been eroding (CLASP, 2008). From 2002 to 2008, funding for the WIA Adult program declined by 10.2 percent before adjusting for inflation (CLASP 2008).

WIA Adult Participants

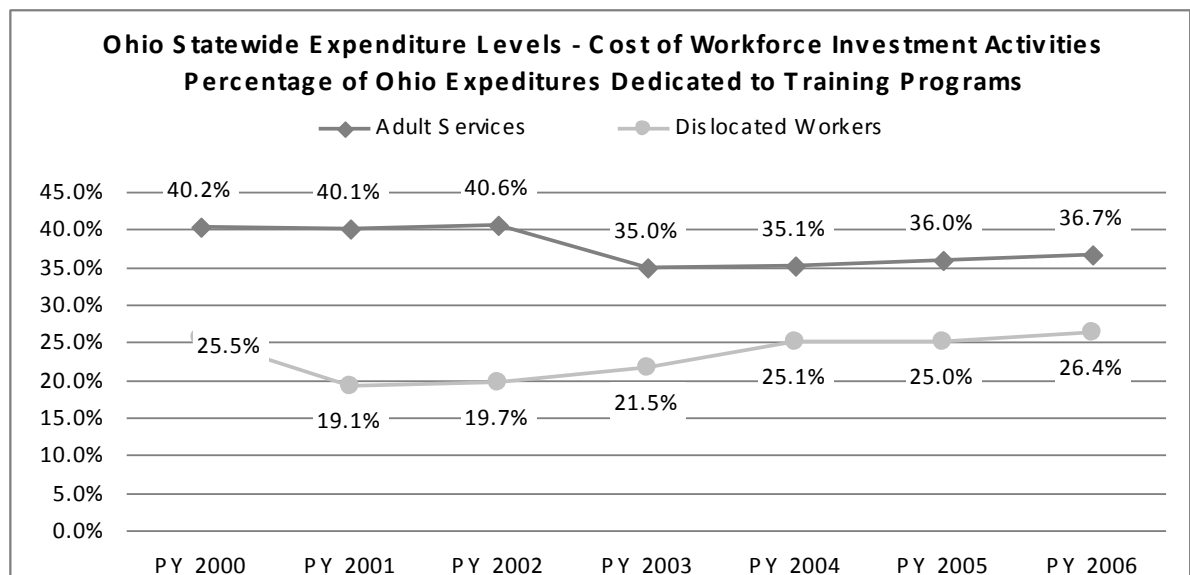
There are concerns about the quality of the data available regarding WIA program. While local One Stops believe there is undercounting in the statewide data, undercounting does not disregard trends identified. Researchers used the best data available to inform the discussion below.

In Ohio, the number of WIA adult participants and "exitors" increased from 2005 to 2006. Exitors are those who receive a WIA-funded core, intensive, or training service that requires significant staff time.

WIA Adults	2005	2006
Total Adult Participants Served	16,024*	18,628**
Total Exitors	6,352	7,793

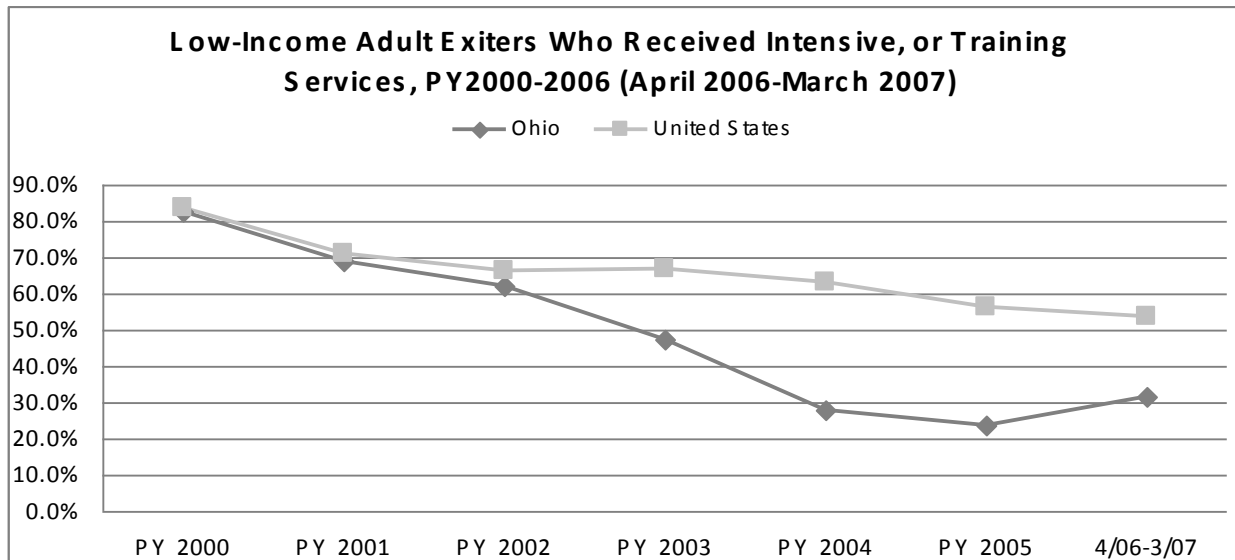
*State of Ohio WIA Annual Report Program Year 2005, Table M

** Statewide Annual Performance Program Year 2006



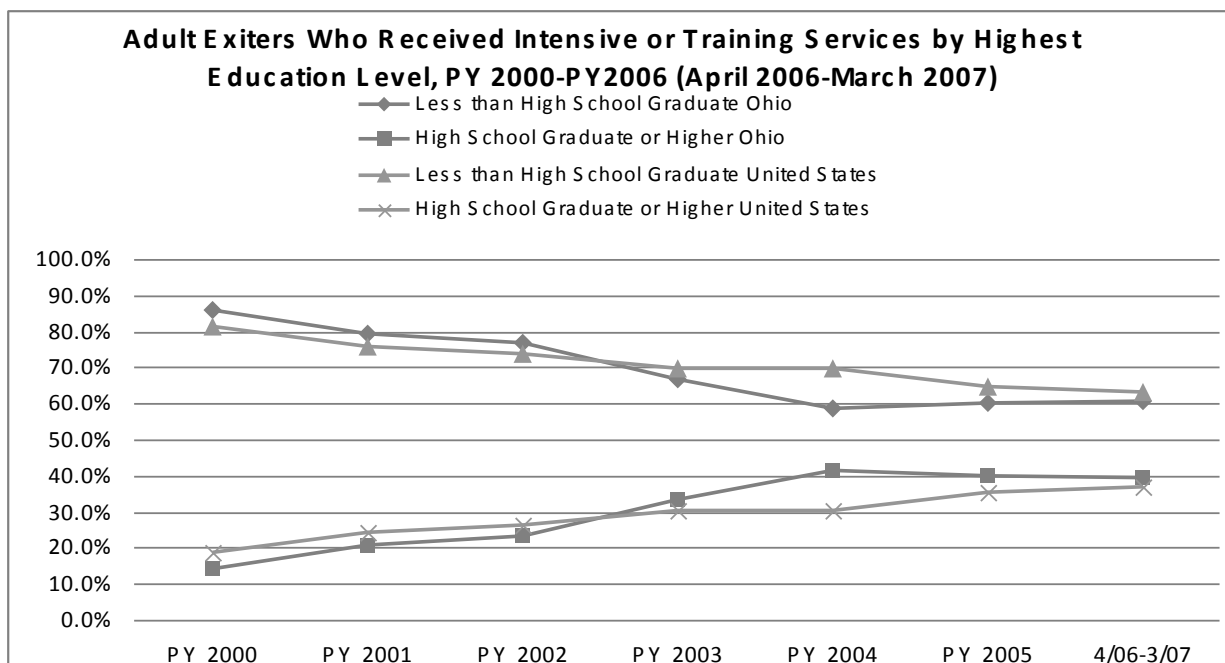
Source: State of Ohio Workforce Investment Act Program Year Annual Reports, WIA Financial Statement Cost-Effectiveness

During program year (PY) 2006, 3,960 of the roughly 7,800 WIA adult program exiters received training services and 1,962 of 7,800 received intensive services. Despite this apparent increase, the share of that total which is low income individuals has declined significantly since 2000. In 2000, 82 percent of program exiters who received intensive or training services were low income, dropping to 31% in PY 2006 (April 2006 through March 2007, the most recent period for which data are available). The national average for PY 2006 was 54% (CLASP, 2008).



Source: United States Department of Labor Employment & Training Administration. Federal Research & Training Database. Workforce Investment Act Diagnostic & Planning Tools, accessed June 27, 2008.

Adult exiters in Ohio and the U.S. receiving intensive or training services had higher educational attainment characteristics in 2006 than in 2000. Trends show a decline by 6 percentage points in the proportion having a high school diploma/GED or less, while the proportion of those with some postsecondary or college education has increased 6 percentage points.



Source: United States Department of Labor Employment & Training Administration. Federal Research & Training Database. Workforce Investment Act Diagnostic & Planning Tools, accessed June 27, 2008.

WIA Dislocated Workers

Dislocated workers are individuals who have been terminated or laid off or who have received a notice thereto, are eligible for or have exhausted their entitlement to unemployment compensation; are long-term unemployed and have limited opportunities for employment or reemployment in the same or a similar occupation in the area.

Ohio does not serve as many dislocated workers as would be expected for a state of its size and one suffering dramatic job losses. In PY 2006, 3,145 individuals exited the program after receiving intensive staff-assisted services or training. The number in PY 2005 was nearly the same. States with smaller populations, such as Massachusetts, North Carolina, and Wisconsin, provided comparable services to greater numbers of dislocated workers (Policy Matters).

WIA Dislocated Workers	2005	2006
Total Adult Participants Served	8,015	8,713
Total Exiters	3,120	3,145

Source: State of Ohio WIA Annual Report Program Year 2005 and 2006, Table M

“In fact, the number of WIA dislocated worker program exiters is no higher than it was four years ago, even though spending has nearly doubled since PY 2002. In eleven of Ohio’s 19 Workforce Investment Areas, fewer than 100 dislocated workers received intensive or training services and exited the program in PY 2006, even as over 77,000 Ohioans ran out of unemployment compensation benefits without finding another job.

Even in some urban counties, the number of dislocated workers receiving training and exiting the program, is less than 100 workers” (Policy Matters).

While the need is great, the dislocated worker program does not spend all of its resources and carries over large balances from year-to-year, especially in “Rapid Response” services that react to layoff notices by providing assistance and information at the worksite (Policy Matters). At the end of the most recent PY 2006 the system had spent only \$10.5 million out of \$29.1 million available Rapid Response funds. Almost \$9.5 million in unspent funds were obligated or earmarked as major new initiatives were getting underway, but \$9.2 million was left unspent (Policy Matters).

“Similarly, the federally funded Trade Adjustment Assistance (TAA) program is typically underused even though it can provide up to six months of income support for workers in education and training, beyond the initial 52 weeks of UI benefits, if they have lost their jobs because of trade policies” (WSC, 2006). “Many TAA eligible workers do not know that they qualify for support under the program. In 2003, for example, more than 500,000 manufacturing jobs disappeared nationally, but only 195,738 workers were certified under TAA” (WSC, 2006). TAA should not be a scapegoat for lower participation in WIA. Best practice is co-enrollment in WIA and TAA to combine the training dollars in WIA with the income support in TAA.

Workforce and Welfare System Work Supports

A low-income working family with children is defined as a married couple or a single parent with at least one child under age 18 that has a combined family income that is less than 200% of the federal poverty level, the income that is necessary for a family to avoid serious hardships. The working poor population in Ohio is substantial, and hundreds of thousands are not “taking up” their work supports. Policy Matters Ohio offers the following statistics:

- Of the 370,000 children in Ohio eligible for child care assistance, 325,000 do not receive assistance.
- Of the 1,666,667 Ohioans eligible for food stamps, 550,000 do not receive them.
- Of the 482,000 households in Ohio eligible for housing assistance, 357,000 do not receive assistance.
- Of the 915,000 Ohioans eligible for TANF assistance, 730,000 do not access the benefits.

Many working families are living in a *hardship gap*, the gap between what individual(s) earn and their basic family budget that forces them to go without such necessities as health insurance. This is true even though one in five adults in working poor families held a full-time job during the prior year. In many families, both parents worked. Due to a combination of low wages and less than full-time work, these families remain in poverty (Policy Matters).

Nearly 2.1 million (20%) of Ohioans still struggle to meet basic needs after receiving some public work supports or none at all (Woodrum, Policy Matters, 2008). “The

expansion of the Earned Income Tax Credit (EITC), welfare reform, the Medicaid expansions, and the introduction of the State Children's Health Insurance Program (SCHIP) greatly increased the relative returns to work over welfare for poor women with children" (Raphael, 2008).

TANF funds distributed as cash assistance remain the most effective method to support working families because the families are able to utilize the money where they need it most (Policy Matters Ohio). However, barriers/problems still exist:

- The income limitation for receipt of benefits remains so low that it actually discourages work.
- The amount in the TANF block grant has not increased since changes were made to welfare in the 1990s (also, the funds are not indexed for inflation).
- The application process is cumbersome.
- The true benefit phases out quickly with earnings.

Workforce and welfare systems generally do not intersect, and therefore counseling pertaining to work supports is not integrated with career counseling. Yet the intersection of work supports and work is right where the challenge exists for the working poor. There are many intertwining issues for low income workers such as the need to balance work with training and time for children, transportation challenges, and varying financial pressures (MDRC, 2007).

The interaction between career advancement and work supports is complex and requires guidance. Even a small increase in wages can translate to a substantial decrease in overall take-home income due to this interplay. At the intersection of work supports and work, counselors can market work supports as a way to increase income in the short-term while pursuing longer-term advancement goals (MDRC, 2007).

The Hard-to-Employ

The term "hard-to-employ" consists of individuals who face multiple barriers and require special assistance, beyond traditional services, to find and keep a job. These individuals experience chronic unemployment, meaning inability to obtain and sustain employment over time (Bouman and Antolin). The most common populations that the term hard-to-employ applies to are ex-offenders, out-of-school youth, individuals over 18 years of age who lack a high school diploma, individuals leaving the foster care system, the homeless, and TANF recipients receiving cash assistance who are nearing or have already met the 36-month time-limit of benefits (Center for Community Solutions PowerPoint; National Transitional Jobs Network, 2008).

Correlations exist among these populations. According to the US Department of Justice, three-fourths of state prison inmates are high school dropouts, as is 59 percent of inmates in the federal system. Income and incarceration are also correlated. Groups who suffer the largest amount of wage losses also display the largest employment declines and increases in incarceration. And individuals who are low-income have a much higher likelihood of becoming incarcerated (Raphael). In regard to ex-prisoners, one of their

greatest challenges is reentering the workforce and becoming employed. “Incarceration is likely to negatively affect the earnings and employment prospects of former inmates. ... The time out of the labor force while incarcerated... permanently alters the lifetime earnings path of former inmates for the worse” (Raphael, 2008).

No institution or group of organizations is currently accountable for aiding the hard-to-employ such as youth who leave school prematurely or those who fall between the cracks as they transition between systems (Campaign for Youth, 2006).

The Policy Problem: Flaws in Current State Policy

Performance measures, funding and service constraints, and gaps in state policy directives block the workforce development system from training and *upskilling* significant numbers of those central to their mission—low income and dislocated workers. If they are to meet the expectations of employers and the standards set by the federal performance measures, the system must prioritize their most employable clients (i.e., those who need the least help). – (Widening the Net, 2006).

One Stops, K-12 systems, colleges, and universities “must work together as partners in a holistic and long-term effort to raise significantly the skill levels of youths and adults across cities, whereby success is measured in terms of the numbers of people who gain postsecondary credentials and find pathways to career advancement and middle-class livelihoods” (Kazis).

And yet, five agencies and 30 different programs make up Ohio’s workforce development system. Different and legacy platforms create barriers for relational databases that can track program participant progress and outcomes. Ohio does not yet have a plan for connecting data across the relevant education and training services for lower skilled adults, such as adult education/ESL, noncredit job training (for WIA participants and incumbent workers), community college for-credit training, and then further connections from there into the labor market and 4 year institutions.

Also contributing to information systems challenges, decentralized WIA and TANF policymaking results in wide variation across the state for participants to access adult education and training services, thus making data collection on a statewide basis incredibly scarce and unrepresentative (CRP, 2004). For example, most of Ohio’s WIA policy is made by local Workforce Investment Boards (WIBs); therefore, the percentage of WIA funds used for adult training varies across the state (CRP, 2004).

Mixed-strategy programs outperform employment-only or education-only programs, yet single strategies like “work first” and job placement approaches remain. For example, while co-enrollment in adult education and occupational training are evidenced-based practice, WIA Title I Adult and Dislocated Worker Program and Title II Adult Education and Literacy programs lack a coordinated strategy and only 0.3 percent of WIA Title I participants are co-enrolled in adult education.

TANF and Other Policy Flaws Affecting Low Income Populations

Ohio's policies for the allocation and use of state and federal resources have a major impact on the ability of Ohio's low-income working families to access postsecondary education and training (CRP). As mentioned above, 0.5% of TANF funds were used for education and training in FY2006. Continuing education and postsecondary education is particularly troublesome.

Ohio is one of six states that permit postsecondary education and training to satisfy TANF work requirements for 12 months or less. However, each county can determine to what extent it takes advantage of this option. Ohio counties can continue education and training for a participant for more than 12 months, but unlike in 14 other states, an Ohio county cannot count this additional training toward its TANF participation rate. In Ohio, as in most other states, participating in education and training does not stop the TANF "time clock" (maximum benefit award period) for recipients. Seven states allow the time clock to stop for education and training (CRP, 2004). Therefore, the policy creates disincentives for additional education and training of TANF participants.

In 2003-2004, Ohio lagged behind 20 other states in its support for needy students; Ohio only used 31 percent of its Pell Grants to assist with need-based financial aid for higher education (CRP). In 2006, the percentage was even lower with Ohio using 29 percent of its Pell Grants for need-based financial aid (National Association for Public Policy and Higher Education). In fact, the National Association for Public Policy and Higher Education gave Ohio an "F" on its National Report Card for Higher Education for affordability, stating that "Ohio has made no notable progress in providing affordable higher education" (NAPPHE). Furthermore, Ohio does not offer financial support directly to low-income students for non-credit career classes taken at 2-year community and technical colleges, although it does for students entering higher education degree programs who are directly from high school.

In regard to Federal Perkins Act funds for career-technical education, states have discretion in the split of funds between secondary and postsecondary programs. Traditionally, Ohio has favored high school vocational programs over adult postsecondary programs. In PY 2001-2002, Ohio allocated only 18% of total Perkins funds for postsecondary education, half the nationwide figure of 37%. In PY 2004-2005, Ohio again allocated only 18% of total Perkins funds for postsecondary education, compared to the national average of 39% (US Department of Education, Office of Vocational and Adult Education).

WIA Policy Flaws

In every state, there is tension in the WIA system. While funding continues to decline, the One Stop infrastructure and expectation have remained the same. And, given the requirement to provide core services universally to individuals and to serve employers at the same time, the expectation is to be everything to everyone.

WIA policy issues that contribute to declines in the share of low income/low education attainment individuals who receive intensive and training services include: program performance measures; the lack of any strong, explicitly defined target requirements; and the lack of dedicated funding. WIA performance measures hold states accountable for meeting benchmarks, and if states fail to meet their expected performance levels, they may suffer financial sanctions (GAO). Such pressures induce One Stops to select individuals they deem most likely to succeed (GAO).

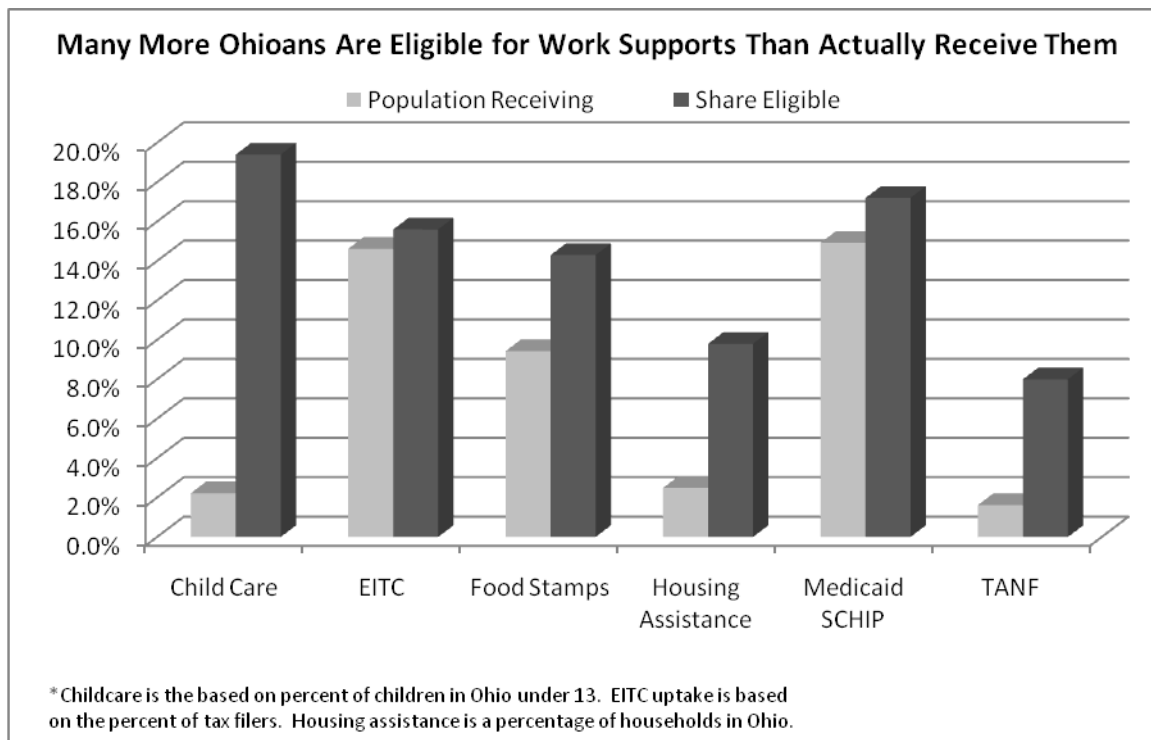
Under WIA, public assistance recipients and low income individuals have priority of service for training and intensive services. Priority of service is supposed to be enacted when funds are limited. However, the law does not provide specific guidance on what prioritization involves nor mechanisms for enforcing such priorities (CLASP, 2008 interview).

In July 2005, Ohio was granted a waiver to use 10 percent of the adult and dislocated worker formula allocation for an incumbent worker training (IWT) Program. Clarification by the Ohio Department of Job and Family Services (ODJFS) states that the evaluation of the incumbent worker training program will measure whether the individual: remained with same employer, was employed with a different employer, upgraded skills, received a wage increase, or did not complete the program and other non-positives. Given that Ohio is already lagging behind the national average in terms of serving low income individuals with its WIA adult training dollars, failure to track measures that capture the income and educational attainment level of individuals in incumbent worker training programs may worsen the problem.

Another waiver also granted in 2005 gave Ohio the flexibility to transfer up to 50 percent of local area allocations between WIA Adult and Dislocated Worker programs. The dislocated worker program is a targeted program to meet the dire needs of the state. Transferring targeted funds to a more general fund will make it more difficult to track and measure impact.

Public Work Supports Policy Flaws

Approximately 2.1 million Ohioans live in a hardship gap because they have low-paying jobs with few benefits, are not eligible for public work programs, and these programs are underfunded or difficult for low-income Ohioans to access even when they are eligible (Policy Matters, 2008). Many working families living in hardship are not eligible for public work support programs – the *eligibility gap*. Many other working families face a *coverage gap* – public work support programs either lack enough resources to cover everyone eligible, the administrative process is too complex and burdensome to navigate to access the benefits, or they do not apply because of access to barriers such as the need to take time off work (Policy Matters, 2008).



Source: Bridging the Gaps in Ohio, Policy Matters Ohio, 2008.

Public work supports can make a big difference to those receiving them. Over 500,000 Ohioans utilized public work supports to bridge their hardships gap, and after factoring in work supports, the median hardship gap of \$1,682 was reduced to \$662 (Policy Matters, 2008). Work supports closed 60% of the coverage gap in 2005; and 20 percent of Ohioans living beyond their family budgets moved above their budget line by accessing public work supports (Policy Matters). Therefore, the eligibility and coverage gaps reveal flaws in a policy that can produce positive outcomes.

Policy Flaws affecting the Hard-to-Employ

At the heart of flaws in current policy is that WIA “codified into national policy a congressional assumption that chronic unemployment is just a matter of personal motivation” (Bouman and Antolin, 2006). Furthermore, “the law vastly oversimplifies the complexities of poverty and chronic unemployment” (Bouman and Antolin, 2006). Approaches to engage the hard-to-employ in the workforce through “work first” strategies and those that attempt to remove all barriers to employment before attempting to find a job have been unsuccessful (Bouman and Antolin, 2006).

At the state level, these flaws have translated into a lack of concrete inclusion of these populations into workforce development policies, which then leads to a lack of funding. Proven, successful efforts aimed at serving the hard-to-employ, such as transitional jobs programs, currently have no formally dedicated funding sources (Bouman and Antolin, 2006). Transitional jobs is a “practical workforce strategy that uses time-limited, wage-paying jobs that combine real work, skill development, and supportive services to transition participants rapidly and successfully into the labor market” (National

Transition Jobs Network). The Ohio Skills Bank and Ohio's economic stimulus package present promising opportunities for inclusion of a hard-to-employ State policy.